

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 TRSE-00 CIAE-00 INR-11

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC 2214

INFO AMCONSUL GUAYAQUIL

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E.O. 11652: N/A

TAGS: ETEL EINV EC

SUBJECT: EMELEC CASE

REF: QUITO 2599

1. JOHN E. CLUTE, GENERAL COUNSEL OF BOISE CASCADE, CALLED ON AMBASSADOR AUGUST 21 TO ADVISE THAT BOISE CASCADE AND THE GOE HAVE BEGUN NEGOTIATIONS ON THE SALE OF GUAYAQUIL ELECTRIC UTILITY EMELEC TO THE GOVERNMENT UTILITY INECEL. ECUADOREAN NEGOTIATING TEAM IS HEADED BY NICOLAS ROMERO, MANAGER OF INECEL. RESULTS ARE SUBJECT TO REVIEW BY CABINET LEVEL COMMISSION HEADED BY MINNATRES JARRIN AND INCLUDING FOREIGN MINISTER, FINANCE MINISTER, AND MINISTER OF COMMERCE AND INDUSTRIES. BOISE CASCADE HOPES TO COMPLETE NEGOTIATIONS BY END OF 1974. ROMERO HAS INDICATED THAT GOE WILL WANT TO RETAIN PRESENT AMERICAN MANAGER AND TO CONTINUE STANDING RELATIONSHIP OF EMELEC WITH AN AMERICAN ENGINEERING FIRM.

2. NEGOTIATIONS ARE STARTING SOONER THAN WE WERE LED TO BELIEVE AND HAD REPORTED IN QUITO 2599. CLUTE SAID THAT THIS IS THE RESULT OF A "COMPLICATED MATING DANCE". GOE OBJECTIVE HAS BEEN TO INCORPORATE EMELEC INTO CENTRAL GOVERNMENT'S NATIONAL ELECTRIC UTILITY EVENTUALLY. THE GUAYAQUIL UTILITY FACES A REQUIREMENT TO MAKE LARGE INVESTMENTS IN NEAR FUTURE TO CARRY OUT GOE'S PLAN TO ELECTRIFY OTHER PARTS OF GUAYAS PROVINCE. BOISE CASCADE

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CONSIDERED THE POSSIBILITY OF FORMING A MIXED COMPANY FOR THE

PURPOSE AND REJECTED IT. TRYING NOT TO APPEAR OVER-EAGER, THE COMPANY ENCOURAGED GOE TO MOVE INTO NEGOTIATIONS NOW ON PURCHASE OF EMELEC.

3. CLUTE POINTED OUT THAT BOISE CASCADE ACQUIRED EMELEC AS RESULT OF HISTORICAL ACCIDENT THROUGH MERGER OF AMERICAN AND FOREIGN POWER WITH EBASCO INDUSTRIES AND THE LATTER'S MERGER WITH BOISE CASCADE IN 1969. ELECTRIC UTILITIES ARE NOT A MAJOR AREA OF INTEREST FOR THE PARENT CORPORATION. HE PLACED A VALUE OF \$35 MILLION ON THE EMELEC INVESTMENT AND SAID HE HAS SOME FLEXIBILITY IN NEGOTIATING SALE PRICE. INITIAL NEGOTIATING SESSION CONCERNED PROCEDURAL MATTERS. GOE ASKED FOR VARIOUS DOCUMENTATION, INCLUDING PROOF OF THE CLAIMED INVESTMENT AND AUDITORS REPORTS.

4. AMBASSADOR REQUESTED THAT BOISE CASCADE KEEP EMBASSY OR CONGEN INFORMED ON THE PROGRESS OF THE NEGOTIATIONS AND OFFERED TO ASSIST THE CORPORATION AS APPROPRIATE IF THE NEED SHOULD ARISE.

5. COMMENT: ALTHOUGH OFF TO A MORE PROMISING START, THE GOVERNMENT'S APPROACH RESEMBLES ITS APPROACH TO NEGOTIATING WITH ADA. THUS, THE FACT OF NEGOTIATIONS IS KEPT FROM PUBLIC KNOWLEDGE, THE SAME KEY MINISTERS SIT AS A HIGH LEVEL COMMISSION AND THE INITIAL REQUESTS FOR DOCUMENTATION ARE SIMILAR. LIKE ADA, BOISE-CASCADE COMPLAINED THAT IT HAD ALREADY SUBMITTED THE INFORMATION REQUESTED; HOWEVER, BOISE CASCADE ACCEPTS ROMERO'S EXPLANATION THAT THE SUPERINTENDENCY OF COMPANIES HAS DENIED THE GOE NEGOTIATORS ACCESS TO INFORMATION IN ITS FILES. PERHAPS BOISE CASCADE EXPERIENCE IN THE NEXT FEW MONTHS WILL BE USEFUL AS A "CONTROL" AGAINST WHICH TO MEASURE THE REASONABLENESS OF PROGRESS IN THE MORE CONTROVERSIAL ADA CASE.
BREWSTER

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Message Attributes

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